



## **CRS Report for Congress**

# **Spain: Current Issues and U.S. Policy**

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### **Summary**

In the more than three decades since the death of Spanish dictator General Francisco Franco, Spain has become a mature democracy and has experienced rapid economic growth. It has also become an increasingly important player internationally, including in NATO and the European Union. The United States and Spain have generally enjoyed good relations. However, problems have arisen in recent years over such issues as the war in Iraq, promoting democracy in Latin America, and the tactics to be used in fighting the war on terrorism. This report provides information on Spain's current political and economic situation, its struggle against Islamist terrorism, and its relations with the United States. It will be updated as needed.

### **Background**

Due to the repressive regime of Spanish dictator General Francisco Franco, Spain was isolated from key developments elsewhere in Europe after World War II, such as the success of democracy, free market economics, and the establishment of the European Union and NATO. Franco's death in 1975 sparked a sea change in Spanish domestic and foreign policy. Within three years, Spain moved from dictatorship to democracy. Economic reforms begun in the late Franco period were expanded and rapid economic growth ensued. Spain joined NATO in 1982 and the European Union in 1986. Spain has played an increasingly prominent role in the EU and other international bodies, with Spanish diplomats and politicians often assuming positions of leadership.

The United States, looking for reliable allies in the Cold War, acquired naval and air bases in Spain in exchange for economic aid to the Franco regime. This support for Franco fed anti-American sentiment in Spain, particularly among the Spanish left. Nevertheless, it should be noted that the United States and Spain have generally maintained good relations in the post-Franco period, whether under Socialist or right-of-center governments. According to the terms of an Agreement on Defense Cooperation, the United States has retained access to several Spanish military bases, including a naval base at Rota and an airbase at Moron, which is a key transportation link between the United States and U.S. forces in Iraq and Afghanistan.

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE <b>01 MAR 2007</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2007 to 00-00-2007</b>	
4. TITLE AND SUBTITLE <b>Spain: Current Issues and U.S. Policy</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Congressional Research Service ,The Library of Congress,101 Independence Ave SE,Washington,DC,20540-7500</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>6</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

## Current Political and Economic Situation

The Socialist Party (PSOE), led by Prime Minister José Luis Rodríguez Zapatero, has led Spain since the country's March 14, 2004 parliamentary elections. Zapatero, whose party had campaigned in part on a pledge to remove Spanish forces from Iraq, trailed the Popular Party (PP) of staunch U.S. ally Prime Minister José María Aznar in public opinion polls in the weeks leading up to the vote. However, Islamist terrorists bombed four commuter trains in Madrid on March 11, 2004, killing 191 persons and wounding over 1,800 others. The Socialist Party won the elections three days later. The Socialists won 164 seats in the 350-seat Congress of Deputies, up from 125 in the previous parliament. The PP won 148 seats, down from its previous total of 183 seats. The Socialists fell short of an absolute majority, and formed a minority government which depends on the support of several small leftist and regional nationalist parties.<sup>1</sup>

Many analysts attributed the unexpected election result in part to public anger over how the Aznar government handled the response to the bombings. Aznar had insisted the attacks had been the work of Basque terrorists until a few hours before the polls opened when several suspected Islamist extremists were arrested. Some voters also may have blamed Aznar for provoking the attacks on Spain by his support for U.S. policy in Iraq.

Despite his narrow victory, Zapatero has forged ahead with actions that have infuriated the PP, the Catholic Church, and conservative sectors of Spanish society. Under his leadership, Spain has legalized gay marriage and liberalized divorce. He has called for a law that would publicly assign sole blame for the bloody 1936-1939 Spanish Civil War to General Franco, and force the removal of his name from streets and towns throughout Spain. Public debate over the war, and the misdeeds of Franco's dictatorship, had been muted for more than three decades in order to permit Spain to consolidate its democracy.

Zapatero has also taken controversial steps in other areas. He negotiated a wide-ranging autonomy statute with the Catalonia region, giving increased powers over tax collection, the judiciary, and other key issues to local authorities. Opponents charged that the move was unconstitutional and would lead to the breakup of the Spanish state. Zapatero has also tried to negotiate an agreement with the Basque terrorist group Eta to permanently give up violence. This effort suffered a devastating blow in December 2006 when Eta exploded a bomb placed in a parking lot at the Madrid airport, killing two persons. Zapatero's political reputation took a further beating after the attack when he initially appeared reluctant to give up the negotiations. After withering criticism from the PP and even from some in his own party, he acknowledged the attempt to negotiate with Eta had been a mistake.

The PP has largely failed to capitalize politically on Zapatero's missteps on the Eta peace talks. The PP and the PSOE remain in a virtual dead heat in public opinion polls.

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<sup>1</sup> The PP maintained control of the Senate, which represents Spain's regions. However, the Senate has much less power than the Congress of Deputies. For example, efforts by the Senate to block or alter legislation can be overridden by a simple majority of the other body. King Juan Carlos I is Spain's head of state, but his powers are mainly symbolic.

Some analysts believe that voters may be turned off by the PP's aggressive partisanship under leader Mariano Rajoy. New parliamentary elections are due in 2008.

**Spain's Economy.** Spain's economic performance has been impressive in recent years. Growth in Gross Domestic Product has exceeded 3% per year for every year in the past decade, with the exception of 2002. Year-on-year GDP growth was 3.8% in the third quarter of 2006. The Socialists have continued sound fiscal and monetary policies similar to those of their PP predecessors. A tax reform has reduced burdens on individuals and corporations. Inflation is decreasing, falling to 2.7% in 2006. Spain's strong economy has produced many new jobs. Unemployment is falling, but remains substantial at 8.1% in the third quarter of 2006.<sup>2</sup>

## Spain and Islamist Terrorism

Spain has been a key base for Islamist extremists throughout Europe, including some of those who carried out the September 11, 2001 attacks in the United States. In September 2005, Spain's High Court convicted a group of Islamist extremists accused of assisting in the September 11 attacks on the United States. The group's leader, Imad Eddin Barakat Yarkas, was sentenced to 27 years in prison for conspiring with the 9/11 plotters, but was cleared of charges of murder. Seventeen others were sentenced to lesser terms, mainly for membership in a terrorist group. Six defendants were acquitted.

Spanish police have made progress in breaking up the terrorist cell responsible for the March 11 attack. Spanish officials determined that the Al Qaeda-linked Moroccan Islamic Combatant Group carried out the bombings. On April 3, 2004, seven men suspected of involvement in the Madrid attacks were killed when they blew themselves up after they were surrounded by police. Police found evidence that the group was ready to commit additional attacks. Twenty-nine other suspects in the 3/11 attacks went on trial in February 2007. Several figures reportedly associated with the 3/11 bombings remain at large.<sup>3</sup>

Spanish police remain concerned about possible " sleeper cells " that may continue to operate in the country. They are particularly concerned about terrorists who leave Spain to fight against U.S. forces in Iraq and may then return to Spain or other countries to launch new attacks. In January 2006, Spanish police arrested a militant and 20 associates involved in recruiting Muslims from Spain to fight in Iraq. Spanish officials are worried about terrorist recruiting efforts in Ceuta and Melilla, two Spanish enclaves on Morocco's coast. More than 300 men have been imprisoned in Spain for offenses related to Islamist terrorism. France, Britain, Italy, and Spain have reportedly developed a list of about 200 suspected Islamist terrorists at liberty on European soil, 20 of whom are living in Spain.<sup>4</sup>

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<sup>2</sup> Economist Intelligence Unit Country Report: Spain, February 2007.

<sup>3</sup> Daniel Wollis, "Spain Finds Al-Qaeda Tie Runs Deep," Associated Press wire service, March 11, 2005.

<sup>4</sup> "The Jihad in Spain," *El Pais* English edition, January 7, 2007, 2.

Observers believe Prime Minister Zapatero's philosophy on fighting terrorism may differ somewhat from that of the United States. Zapatero has said that he views military force as a "last resort" in the war on terrorism. He has stressed the need to address social and economic roots of terrorism both in Spain and in Islamic countries. He has called for an "alliance of civilizations" among Western countries and Islamic ones. Zapatero has underlined the need to integrate the Muslim population in Spain. Estimates of the Muslim population (mainly of Moroccan or Algerian ancestry) run from 600,000 to 1 million, out of a total Spanish population of 44 million. Most have been in Spain less than 20 years.<sup>5</sup>

Spain has boosted law enforcement resources devoted to fighting Islamist terrorism, a change from the period before March 11, when the main focus of Spanish efforts was on the Basque terrorist group Eta. (The 9/11 attacks had only a modest impact on Spain's counterterrorism priorities.) Improvements include enhancing coordination between Spanish law enforcement and intelligence bodies, establishing an integrated database of suspects, and increasing the number of law enforcement officers and Arabic language translators. Spain has strongly backed anti-terrorist cooperation with its EU partners, although these efforts have reportedly been hampered by some countries' reluctance to share sensitive intelligence. Spain has also been eager to highlight its cooperation with the United States in fighting terrorism. In March 2005, the two countries set up a group of experts and prosecutors to improve legal and police cooperation on terrorism. Senior U.S. and Spanish officials have also met to try to improve the flow of anti-terrorism intelligence between the two countries.

In November 2005, Spanish press sources claimed that CIA planes, perhaps carrying terror suspects, made at least 10 secret stopovers at Spanish airports in Majorca and the Canary Islands between January 2004 and 2005. Spanish officials replied that all flights concerned were legal under Spanish law, but pledged to be "vigilant" about such flights in the future. The issue is politically sensitive due to European investigations into alleged secret CIA detention facilities in Eastern Europe and abuse of detainees allegedly committed or facilitated by the United States in various parts of the world.<sup>6</sup> On February 9, 2007, the Spanish government agreed to release to a Spanish High Court judge documents providing details on the secret flights. The judge is investigating whether terror suspects were held illegally or tortured in Spain. The government says that it has no evidence that such crimes took place on Spanish soil, but has conceded that the flights could have conveyed detainees to other countries where crimes were committed.

## **U.S.-Spanish Relations: Current Issues**

U.S.-Spanish relations deteriorated after Prime Minister Zapatero took office in 2004. Zapatero has shifted Spain's foreign policy from the strongly pro-U.S. focus of the Aznar government to favoring ties with EU partners France and Germany. Zapatero has also placed more emphasis on strengthening the European Union's foreign policy role than his predecessor did. After his election victory, Zapatero strongly attacked U.S. policy on Iraq in highly undiplomatic terms, claiming that it was based on "lies," and

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<sup>5</sup> "Setting an Example?: Counterterrorism Measures in Spain," Human Rights Watch report, January 2005.

<sup>6</sup> Renwick McLean, "Spaniard Calls CIA Plane Case 'Very Serious,'" *New York Times*, November 16, 2005, 7.

suggested that Americans vote President Bush out of office in November 2004.<sup>7</sup> Since the re-election of President Bush, Spain has tried to repair its relationship with the United States, including with the exchange of many high-level visits. Personal ties between President Bush and Zapatero reportedly remain cool, however. The two leaders have yet to hold a bilateral meeting. The United States and Spain enjoy important links in other areas, including increasing cultural ties between Spain and Americans of Hispanic descent, and a strong economic relationship. The United States is Spain's largest export market outside of the European Union.

**Iraq.** Iraq has been a major point of tension between the United States and Spain. On April 18, 2004, the day after the new Spanish government took office, Zapatero announced the withdrawal of Spain's 1,300 troops from Iraq. In a five-minute phone call to Zapatero, President Bush expressed regret about the "abrupt" Spanish decision and warned against taking actions that would give "false comfort to terrorists." Some U.S. officials sharply criticized the way the withdrawal was planned, saying it was done without proper coordination and in an "unprofessional" way that could unnecessarily jeopardize operations and lives.<sup>8</sup> After the January 2005 Iraqi elections, Zapatero offered to train Iraqi soldiers in demining at a site near Madrid, as well as to contribute to a NATO trust fund to support Iraqi security forces.

In October 2005, Spain's High Court issued warrants for the arrest of three U.S. soldiers for firing on a Baghdad hotel and killing a Spanish cameraman in April 2003. The men had been exonerated by a U.S. military investigation, which concluded that enemy troops had been firing from the hotel at U.S. forces. The Spanish government challenged the warrants on technical grounds, saying that the court must first rule that the case merited prosecution. The warrants were then withdrawn, but reissued in January 2007 after the High Court made such a ruling.

**Afghanistan.** Despite conflicts over Iraq, the United States and Spain have continued to cooperate in Afghanistan. Spain currently contributes about 700 troops to the NATO-led International Security Assistance Force (ISAF). Spain operates a Provincial Reconstruction Team in a remote region of western Afghanistan and leads a forward support base in Herat, in cooperation with Italy. The Spanish force has suffered losses. In August 2005, 17 Spanish soldiers died when their helicopter crashed during a training exercise. In 2003, Spain lost 62 peacekeepers when the plane transporting them home from Afghanistan crashed. At a meeting of NATO defense ministers in the Spanish city of Seville in February 2007, Spain rejected U.S. calls to send troops to southern Afghanistan, where the potential for conflict with Taliban insurgents is high. Instead, Spain has offered four unmanned aerial reconnaissance aircraft and training for the Afghan army.

**Latin America.** U.S.-Spain relations have been negatively affected by differences over Venezuela and Cuba. The Zapatero government has sought to improve ties with the leftist regimes in both countries. Spanish officials say that they are dedicated to the same

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<sup>7</sup> Keith Richburg, "Spain's Next Prime Minister Says U.S. Should Dump Bush," *Washington Post*, March 18, 2004, 23.

<sup>8</sup> Robin Wright and Bradley Graham, "Spain Plans to Hasten Withdrawal of Troops," *Washington Post*, April 22, 2004, 25.

human rights goals as the United States in the region, but believe that engagement, rather than isolation, is the best way to secure improvement. Spain has strong cultural ties to Latin America and Spanish firms are major investors there. Spain is a key player in EU policy toward the region.

U.S. officials expressed particular concern about Spain's agreement to sell ten military transport planes and eight coast guard vessels to Venezuela. They claim it is part of an arms buildup by President Hugo Chavez that could destabilize the region.<sup>9</sup> Spanish officials say that the equipment is earmarked for anti-drug trafficking operations. In January 2006, the United States blocked the sale of the planes, by refusing to permit the use of U.S. military technology in them. Spanish officials responded that the U.S. move was unjustified and that the sale would go forward after the U.S. parts were replaced by technology from other countries. However, Spain cancelled the aircraft deal in October 2006, after it failed to find the replacement parts it was seeking.

**Middle East.** In November 2006, Spain, France, and Italy proposed a peace plan for the Israeli-Palestinian conflict. The plan would involve a cease-fire, exchange of prisoners, and the formation of a national unity government by the Palestinians. International monitors would oversee the cease-fire, and an international conference would be held in Madrid to restart Middle East peace efforts.<sup>10</sup> However, other EU countries, taken off guard by the Spanish initiative, were unenthusiastic about the plan, and it has not been adopted as EU policy. The United States did not publicly denounce the plan, but greeted it coolly. The EU, along with the United States, Russia, and the United Nations, form the "Quartet," an informal group aimed at promoting an Israeli-Palestinian peace. In addition to its active role in Israeli-Palestinian peace efforts, Spain plays an important role in UNIFIL, the U.N. peacekeeping force in Lebanon, contributing 1,100 of the force's 11,000 troops.<sup>11</sup>

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<sup>9</sup> "America and Spain: Renewing a Strategic Partnership," speech by Deputy Assistant Secretary of State Kurt Volker, April 2, 2006, from the State Department website, [<http://www.state.gov/>].

<sup>10</sup> Associated Press news agency dispatch, November 17, 2006.

<sup>11</sup> EFE Spanish news agency dispatch, December 23, 2006.